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ABSTRACT

This paper looks at performance standards and related policies as tools for influencing the direction of local programming as well as ensuring accountability throughout the service delivery system. It suggests various ways in which the different components of the Job Training Partnership Act's performance management system can be used to promote federal and state policy objectives regarding the targeting of appropriate services to individuals particularly at risk of chronic unemployment. The paper provides a brief examination of the new federal policy directions and focuses on the decisions that state officials must confront in light of these federal changes. Specific options are presented regarding the use of state authority to set performance standards, to structure incentives and sanction policies, and to decide the use of six percent set-aside funds. (YLB)

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USING JTPA PERFORMANCE STANDARDS AS A STATE POLICY TOOL

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USING JTPA PERFORMANCE STANDARDS AS A STATE POLICY TOOL

INTRODUCTION

In enacting the Job Training Partnership Act, Congress spelled out specific criteria by which the return on investments in job training and related services authorized under the Act should be measured. For adults served under Title II-A the basic return on the investment should be measured by the increased employment and earnings of participants and their reduced dependency on welfare. For youth, the return on such investments should also include attainment of competencies needed for employment and other outcomes that are likely to have a positive affect on their long-term employability. The Job Training Partnership Act directs the Secretary Labor to prescribe performance standards for adult and youth Title II-A program participants.

The Act assigns different management roles to the federal government, the states and the Service Delivery Areas for assuring achievement of these legislative goals. The Act promotes accountability at each of these management levels by requiring that performance expectations be clearly articulated in the form of quantifiable performance standards and that these serve as the basis for performance-based incentives and sanctions. Responsibilities within JTPA's performance management system are divided as follows:

The Federal Government

Section 106 of JTPA requires the U.S. Department of Labor to prescribe performance standards for Title II-A programs in order to determine the extent to which the basic goals of the Act have been achieved. These performance standards may be modified no more often than every two program years consistent with the JTPA planning cycle. Since the inception of JTPA, the U.S. Department of Labor has promulgated a set of seven termination-based adult and youth performance standards that emphasized placement and cost

efficiency. The Department has now expanded its measures of program success to include employability enhancement for youth and employment and earnings at time of follow-up for adults. The federal government now provides a menu of twelve national performance measures from which the Governor is to select eight to serve as the basis for state incentive and sanctions policies. In addition, the U.S. Department of Labor has vested additional authority with the governors to include or exclude six percent funded projects in computing performance standards and has thereby provided new options for state policy leadership.

The States

Governors are required to prepare a statement of goals and objectives for the job training and placement programs within the state and to establish coordination criteria for JTPA programs. Governors set numerical standards against which SDA performance is judged. Governors also decide what performance adjustment methodology will be used to account for differences in local conditions. Governors decide whether to complement the nationally-prescribed measures with additional state standards for purposes of incentive awards. They also decide whether performance standards will apply to services supported by funds from the six percent set-aside.

Governors create, for Title II-A programs, incentive policies which specify how the various standards selected by the state will be taken into consideration in rewarding SDAs for exceeding expected performance. Governors prescribe the conditions under which SDAs that fail to meet performance expectations for two consecutive years will be sanctioned. In addition to this standard setting authority, Governors have discretion over a number of resources to promote achievement of legislative goals. In particular, the six percent set-aside may be used for: rewarding good performance through incentive grants; providing technical assistance to enhance performance and assist those service delivery agents with poor performance; and providing incentives to promote services to special "hard-to-serve" individuals.

The Local Service Delivery System

Within the federally articulated parameters and the state's policy priorities, local elected officials and the Private Industry Council (PIC) identify and prioritize local needs, determine the services to be offered, decide who should administer JTPA funds and select the service providers. In addition, Private Industry Councils (PICs) are charged with specifying learning outcomes sought for youth as part of their youth employment competency systems.

It is at the local level that goals are translated into actual performance by determining service mix and developing programmatic strategies, to assure favorable outcomes. It is also at this level that performance standards are translated into the contract terms that govern the level of effort and types of activities that will be supplied by service providers. Further, it is at the service provider level where the performance standards are achieved.

System Performance To Date

JTPA's emphasis on performance has paid off in terms of improving the public's perception of federal job training programs. Both employers and public officials have come to recognize the valuable outcomes for individuals, firms and communities that can result from investment in job training. This emphasis has also seemingly improved the efficiency of the employment and training delivery system. Since the inception of JTPA five years ago, system performance, as measured by national performance standards, has increased each year while the cost of achieving these outcomes has gone down steadily.

However, questions have been raised regarding trade-offs between achieving efficiencies in service delivery and effectively addressing community employment problems. Critics of the present performance standards system have questioned the heavy reliance on short-term indicators of performance and argue that it has placed too much emphasis on achieving measurable employment outcomes at the expense of assisting those individuals who are most at-risk of being chronically unemployed. Evaluations of previous employment and training programs suggest that these concerns have some merit. Such research found that the greatest return on public investment is achieved through intensive

investments in the skill development of individuals least likely to succeed without additional help. Such individuals are often characterized by low educational achievement, little or no work experience and history of long-term dependency on welfare.

Purpose of this Paper

The purpose of this paper is to look at performance standards and related policies as tools for influencing the direction of local programming as well as ensuring accountability throughout the service delivery system. The paper suggests various ways in which the different components of JTPA's performance management system can be used to promote federal and state policy objectives regarding the targeting of appropriate services to individuals particularly at risk of chronic unemployment. The paper provides a brief examination of the new federal policy directions and focuses on the decisions that state officials must confront in light of these federal changes. Specific options are provided regarding the use of state authority to set performance standards, structure incentives and sanctions policies and decide the use of six percent set-aside funds.

NEW DIRECTIONS FROM THE FEDERAL LEVEL

In issuing performance standards for the next two years planning cycle, the U.S. Department of Labor (DOL) has made it clear that it places a priority on improving the long-term employability of participants. The U.S. Department has clearly articulated its goals for JTPA programs in the next two program years. The goals of the Department for the performance management system DOL are the following:

- o increased services to individuals at risk of chronic unemployment, particularly youth;
- o the provision of training which leads to long-term employability;
- o increased basic skills and youth employment competency training; and
- o the implementation of postprogram performance measures.

First, as a way to signal that there is an expectation on the part of the federal government that a substantial portion of youth who participate in JTPA gain employment-related competencies, the U.S. Department of Labor has added a youth employability enhancement standard. Second, it has introduced four post program standards which are likely to replace termination-based standards after the current two-year planning cycle.

In addition, by setting the national cost standard at a level higher than that suggested by the previous performance of the system, the Department is encouraging the system to deliver longer duration and more intensive services to better meet the needs of those individuals with significant skill deficiencies that serve as barriers to employment.

The Department of Labor's actions send important policy messages to the system; but the effect of these changes on the kinds of services offered and the characteristics of individuals served will in large measure, depend on policy and management decisions made at the state and local levels.

NEW CHALLENGE FOR STATES

At the state level, Governors have considerable discretionary authority to promote the policy agenda proposed by the U.S. Department of Labor. For Program Years 1988-89, the Governors' management options have been significantly expanded to allow for adaptation of the new federal policies to each state's own policy priorities while permitting an orderly phase-in of new provisions. This latter point recognizes that the capacity of the JTPA system to implement the changes immediately differs considerably throughout the country. At issue for the states are decisions regarding the:

- selection of performance standards;
- structure of state incentive and sanctions policies; and
- use of six-percent funds for technical assistance and incentives for the "hard-to-serve".

Selection of Performance Standards

One of the most important ways a governor can communicate the state's policy priorities for JTPA to the service delivery system is in the selection of criteria by which system performance will be judged. Governors can make the connection between state policy priorities and the JTPA performance management system in several ways.

National Standards

Unlike in previous years, when there was no flexibility in choosing among national performance standards, Governors are now given the discretion to select eight of twelve nationally promulgated performance measures for inclusion in state incentive and sanctions policies. The following are the 12 promulgated performance standards:

Termination-based measures

- Adult Entered Employment Rate
- Cost per Adult Entered Employment
- Adult Average Wage at Placement
- Adult Welfare Entered Employment Rate
- Youth Entered Employment Rate
- Youth Employability Enhancement Rate
- Youth Positive Termination Rate
- Youth Cost per Positive Termination

Post-program measures

- Adult Follow-up Employment Rate
- Adult Welfare Follow-up Employment Rate
- Adult Average Weeks Worked in the Follow-up Period
- Weekly Earnings of all Employment at Follow-up

The U.S. Department of Labor has indicated that states must include in their selection either the average wage at placement or average earnings at follow-up measure as well as one of the three non-cost related youth measures. Beyond these requirements, governors may select any combination of measures to promote their priorities. In selecting among measures, states will have to decide whether to place more emphasis on placement of youth in jobs or on enhancing their basic educational and other employment-related skills as a contribution to their long-term employability. States will have to decide whether termination-based or postprogram standards or some combination of the two most appropriately address the needs of their states.

These decisions should be made in consideration of state, and to the extent possible, local policy priorities as well as what is feasible within the state. For instance, before selecting performance standards, states will need to consider: the kind and quality of information accessible through state and local management information systems (MIS); the reliability of follow-up data collected either at the state or local levels; and the "state of development" of the various components of youth employment competency systems.

Although the national standards selected serve as the core for both state incentive and sanctions policies, they can be treated differently in these two instances. For example, a state may decide to focus on only a subset of national standards within their state sanctions policies. This is discussed in further detail below.

Adjustment of National Standards

Governors continue to have discretion regarding whether, and how, to adjust federally articulated national performance standards to take into account the affect of varying local conditions on performance. Historically, four out of five states have chosen to use the Department of Labor methodology for adjustment purposes.

Several states have developed their own adjustment models making it possible for them to select those variables that more closely support state

policy initiatives. State level models offer the states and SDAs additional advantages:

- o greater choice of factors based on information in state MIS systems rather than just the information collected on the federal JTPA Annual Status Report (JASR);
- o greater accuracy of weights for variables which represent programs that are unique or different from programs in other states (e.g. state welfare and UI systems);
- o state policy or initiatives can be directly incorporated into the models;
- o socio-economic factors can be refined to better match the place of residence of the participant, and others; and
- o individual client data allow inclusion multiple barriers.

Of course, the cost of developing state adjustment models should be considered against the benefits. The cost of developing state adjustment models is dependent on the type of information available on the state management information system and the state capability to develop such models. If individual record data is already available in the state management information system, the total cost of developing state adjustment models is lower for both SDAs and the state than if the state has to collect such information. Similarly, for states with computerized systems, the cost of developing state adjustment models would be lower. An additional consideration is whether the state has staff with the statistical background needed to develop the adjustment models. Those states that lack the necessary in-house capability, will have to contract out for these services raising the likely cost.

Additional State Standards

As before, states have the option of establishing additional state standards for consideration in the award of performance incentive grants. Such standards might relate to enrollment levels and services to particular "hard-to-serve" target populations, administrative concerns or other state policy priorities. As of the end of PY 1986, one-third of the states had added their own standards. Because of the inherent limitation of national

performance standards related to service to welfare recipients, states may wish to add their own standards that incorporate the unique aspects of each states welfare program.

For instance, if a broadly articulated state goal is to improve employment services to welfare recipients, the state might construct a standard that promotes an increase in the level of service to all or a subset of welfare recipients such as long-term recipients. Another type of standard might focus on increasing the average wage level at which welfare recipients are placed in jobs. Still another approach is to place greater emphasis on increasing the rate at which welfare recipients enter employment as a result of program participation, regardless of the wage level.

Other policy goals can be addressed through state standards. Specific standards can be developed to improve services to at-risk youth or increase the number of dropouts who attain a High School Diploma Equivalent (GED) as a result of participation in the JTPA program. For instance, a separate Positive Termination rate for at-risk youth defined as those who have two or more barriers to employment may be required.

Further, management goals can also be addressed through state standards. For instance, some states have added standards related to expenditure levels or to levels of service relative to planned enrollment. Other states have addressed management goals by adjusting the size of the incentive award based on these management requirements.

Interim Standards

If the JTPA delivery system within a state does not have the capacity to meet desired performance standards or comply with reporting requirements implied by certain standards, the state might consider instituting interim standards until system capacity is improved. For instance, if the state's follow-up system does not yield reliable information, the state might consider announcing the intention to move to post program standards now; but defer implementation for another year until needed improvements can be made. As discussed below, accommodations for system transition can also be made within the structure of incentive policies.

Structure of State Incentive Policies

Tailoring Incentive Policy to Existing Circumstances

Just as the selection of certain performance standards over others sends a clear policy message to the service delivery system, so can the structure of the state's policy regarding performance incentive awards. A recent NGA review of current state incentive policies provides evidence that incentive policies are especially influential when the policy is simple and clearly linked to stated policy objectives. The experience of two states in the same region of the country illustrates that incentive policies can make a difference. During PY 1985 these two states had expenditure rates of 78 percent under the basic Title II-A program. During that year, one of the states established an incentive policy in which the size of the incentive award for each SDA was adjusted according to its expenditure rate. In this state, the basic Title II-A expenditure rate for PY 1986 increased to 90 percent while the expenditure rate in the other state increased to only 80 percent.

Similarly, another state established an incentive policy in which a bonus was given to SDAs with welfare participation rates higher than their incidence in the eligible population. During PY 1986, 50 percent of JTPA participants in this state were welfare recipients while in a neighboring state with an incentive policy with no emphasis on welfare recipients, only a third of the JTPA participants were welfare recipients. This occurred despite the fact that the latter state has a higher proportion of welfare recipients in the eligible population. Still another state was able to encourage intensive services to participants and therefore more costly services by minimizing the amount of incentive funds awarded for cost standards.

Given the potential influence incentive policies can have on program direction, states may want to take this opportunity to also reassess their existing incentive policies. This can be done by reviewing SDA level data to determine whether current policies have accomplished previous objectives or whether they have led to unintended consequences such as undesirable competition between SDAs and "creaming." States may find it useful to seek

input from PICs, SDAs, state agencies and others involved in the JTPA system on what the effect of current policies has been and what changes in incentive and sanctions policies are desirable. In particular, advice might be sought regarding the policy priorities to be emphasized through these policies. Finally, in considering alternatives, states should take into account the capabilities of MIS, follow-up and youth employment competency systems within the state so that state capacity building activities can be directed at overcoming any problems that stand in the way of full implementation of desired policies.

In some cases, as with selection of performance standards, it may be appropriate to develop interim policies that can be put in place until system deficiencies are cleared up. For instance, a state might place little weight on post-program standards in the first year of the two year cycle (or assign a small amount of incentive funds for these standards) until the reliability of data is improved. In the case of youth employment competency systems, a special incentive to encourage development of quality systems might be provided by heavily rewarding SDAs for exceeding their youth employability enhancement standard if they have fully developed systems in two or more competency areas.

Alternative Strategies

State policy goals can be pursued within state incentive policies in a variety of ways. States have to decide both which policy goals to pursue through it incentive policy and how strongly in wants to try to influence local decision making. Once the goals have been determined, the incentive policy should be constructed around around these goals. Strategies should be carefully selected to promote the desired goals. Since different strategies may promote the same goal, the most appropriate one for the state should be selected based on the state realities.

It is also important to translate the goals into simple mechanisms. Unfortunately, the utility of some state incentive policies may have been diminished by the complexity and technical nature of the policy. In many cases, it has been difficult, it at all possible, to discern a policy thrust behind the policy; presumably so that as much discretion as possible is left to the local service delivery system to set its own policy priorities.

Further, in some states, it is impossible for an SDA to know at the beginning of the year how much it will receive as a performance incentive if it exceeds the performance standards. This occur because the incentive award is dependent on their performance relative to that of other SDAs.

The complexity of the mechanism selected for the incentive policy is dependent upon the number of goals and how strongly the state wants to influence local decision making. In some instances, a simple mechanism will not be sufficient to promote the state multiple goals. In this case, a more complex mechanism must be selected but the goals and objectives of the policy should be clearly articulated to assure that all the parties involved understand the goals and policy behind the mechanism.

In the past, states have used a variety of mechanisms to promote their goals through incentive policies. Some states have required that all standards be exceeded; other states have required only a specified number of standards to be exceeded. Some states have given equal weight to all standards included in their incentive policy while other states have given greater weight to specific standards as a way to influence the state JTPA towards a particular goal. The same has been achieved by other states by dividing incentive dollars into separate pools for each standard and assigning larger amount of dollars to those standards which they want to emphasize.

Further, states have taken into consideration the degree to which standards are exceeded in different ways. Some states have used incremental levels of performance relative to the standard. Such levels have been specified in terms of ranges (e.g. 5-9, 10-14%, 15-20%) of how much a standard has to be exceeded or specified in statistical terms (e.g. 2 standard deviations). In addition, some states have established a cap for the degree to which a standard can be exceeded for an SDA to get additional incentive dollars, while in other states the more and SDA exceeded an standard the more incentive dollars it received.

Furthermore, states have adjusted incentive awards based on different criteria. While awards are not adjusted at all in some states, in other states, incentive awards are adjusted based on the proportionate size of the

SDA's Title II-A. Expenditure rates have also be used to adjust incentive awards.

Based on state past experience with incentive policies, we have constructed several examples to illustrate approaches for different goals. These examples have been simplified to easily illustrate the mechanisms. In reality, states have multiple goals and the illustrated mechanisms must be combined and adjusted to promote the desired goals. The following are the examples developed to illustrate alternative approaches for different goals:

Goal: Neutral Policy to Provide Maximum Local Flexibility

Strategy 1: All incentive funds are divided equally among the eight state selected standards. An SDA receives incentive awards for each standard it exceeds. Incentive funds set aside for each standard are divided equally among all the SDAs which exceed that standard.

Strategy 2: Each SDA receives a point for each standard it exceeds. A specific amount of funds is determined for each point by dividing incentive funds by the total number of points received by all SDAs. Incentive awards are determined for each SDA by multiplying its points by the amount of funds determined for each point.

Strategy 3: Incentive funds are awarded to an SDA if it exceeds any five of the eight state selected standards.

Goal: Local Flexibility with Some State Direction

Strategy 1: Incentive funds are awarded to an SDA if it exceeds all eight state selected standards.

Strategy 2: Incentive funds are awarded to an SDA if it exceeds any five of the eight state selected standards and performs at 80 percent or better in each of the eight selected standards.

Strategy 3: State selected standards are divided into two groups: primary and secondary. Incentive funds are awarded to an SDA if it exceeds any three of the four primary performance standards and any two of the secondary standards.

Goal: Emphasis on a Particular Outcome or Outcomes

Strategy 1: Incentive funds are divided among selected standards and large amounts of funds are assigned to those standards that the state wants to emphasize. (e.g. state wants to emphasize entered employment and positive termination: 25% to welfare entered employment rate, 25% of youth positive termination, 5% to each of the other five standards.)

Strategy 2: Within the federally promulgated standards, a set of core standards is established in order to qualify for incentive funds. (e.g. to qualify for incentive funds, an SDA must exceed the following three standards: adult entered employment rate, welfare entered employment rate and youth positive termination.)

Goal: Emphasis on Outcomes Beyond Those Prescribed by DOL

Strategy 1: The policy goal is to promote employment for a targeted group (e.g. dropout youth). An additional standard is established for this group (e.g. a certain percentage of the youth placed in jobs must be school dropouts) and incentive funds are awarded for exceeding this standard.

Goal: Emphasis on Promoting Services to Targeted Populations

Strategy 1: Incentive funds are divided among all selected standards and a large proportion of funds are assigned to welfare standard(s). (e.g. 30% of incentive funds are assigned to the welfare entered employment rate, 10% to each of the other seven standards.)

Strategy 2: The welfare entered employment rate is selected as a core standard. In order for an SDA to qualify for incentive funds, it must exceed its welfare entered employment standard.

Strategy 3: A portion of the incentive funds are set-aside as a bonus for SDAs with a percentage of welfare participants larger than the incidence of welfare recipients in the eligible population.

Goal: Increase Expenditures

Strategy 1: An additional standard is established for expenditure rates. Incentive funds are awarded to those SDAs that exceed their expenditure rate standard.

Strategy 2: Incentive funds are adjusted according to the SDA's expenditure rate. (e.g. an SDA gets 100% of its calculated incentive funds if its expenditure rate is 80% or better; if its expenditure rate is below 80%, the SDA gets 75% of its calculated incentive funds.)

Structure of State Sanction Policies

Governors are required to select eight of the twelve federally prescribed standards to evaluate local program performance for purposes of making incentive and sanction determinations. As with incentive policies, states may select a sub-set of these eight standards to serve as the basis for sanctioning SDAs for poor performance. Further, the standards selected for the state sanction policy do not necessarily have to be the same sub-set as those included in the incentive policy. For example, as a way of encouraging the state system to move toward youth competencies, a state might decide to include the youth employability enhancement standard in its incentive policy; but not include this standard in its sanctions policy because it does not want to penalize those SDAs that do not yet have youth competency systems in place. It should be noted that the use of two different sub-sets of standards for incentive and sanction policies may be confusing and therefore it will be

important to provide a clear explanation of which when and under which circumstances each sub-set of standards is applicable.

Use of Six Percent Funds

In light of the policy redirection sought by the U.S. Department of Labor and the heavy system development requirements implied by the changes, states may want to reconsider the proportion of the six percent funds currently being used for incentive awards, technical assistance and for services to the "hard-to-serve." On average, states report that approximately two-thirds of the funds available under the six percent set-aside have been devoted to performance incentive awards.

States might consider setting aside a larger portion of six percent funds for incentive awards for the hard-to-serve to provide a more immediate and visible incentive for increasing or intensifying services to such participants. Alternatively, states might consider reserving a portion of incentive funds for rewarding those SDAs that serve the "hard-to-serve" in excess of their incidence in the population.

States in which systems deficiencies are apparent might want to set aside a larger portion of six percent funds for preventative as well as remedial technical assistance to SDAs and their service providers during the first year of the two program-year cycle. For example, preventitive technical assistance dollars might be used to help SDAs develop their youth competency systems prior to inclusion of the youth employability enhancement standard in a state's incentive or sanctions policy. Such assistance might be provided centrally for all SDAS or tailored to the particular circumstances of the SDA.

The U.S. Department has clarified that Governors have discretion over whether to include activities funded through six percent funds in computing whether SDAs' have met their performance standards. Governors may decide to apply performance standards to certain types of six percent funded projects while excluding others. Alternatively, the state might decide to apply different numeric standards or entirely different performance measures to six percent funded activities. For instance, experimental or pilot projects for

specific populations funded with six percent funds probably should not be included in the computation of performance standards. On the other hand, if six percent incentive funds are merely added to the basic Title II-A grant to support the same type of services as are subject to performance standards, performance standards probably should apply. If different kinds of activities funded with six percent funds are to be treated differently for purposes of performance standards, MIS systems will have to be able to differentiate between the different types of projects.

CONCLUSION

JTPA's performance management system with its performance standards, incentives and sanctions policies, and provisions for related technical assistance can go a long way in increasing services to those most at-risk of chronic unemployment, providing more intensive services, increasing emphasis on basic skill instruction and improving post-program outcomes. Manipulation of the performance management system will not be enough however. States will have to use their overall goal setting and planning authorities to communicate the policy rationale for the performance management decisions taken.

States should also consider promoting the policy goals articulated through the use of the state set-asides. For instance, governors can use the eight percent set-aside to support more intensive investments in basic skill and related instruction. These funds might be used for demonstration projects, curriculum development and additional incentives for local programs that serve the needs of individuals with multiple barriers to employment. Eight percent set-aside funds might also be used to develop needed assessment tools, train staff and create a state-wide competency-based employability credential based on the competencies articulated by local Private Industry Councils in their youth employment competency systems.

Despite the fact that the state and local planning cycle for PY 1988 is nearing completion, it is not too late for states to consider the alternative strategies suggested in this paper. State Job Training Coordinating Councils may wish to use the issues raised here as the starting point for a series of

consultations with PIC members and representatives of other state and local systems on what the result of current policies has been, what future state policy priorities should be, and what changes in current policies are needed.

This dialogue may lead to suggested modifications of state incentive and sanctions policies as well as recommendations on how deficiencies in the capacity of the current service delivery system may be corrected through investments in technical assistance and staff development. Such capacity building activities can be initiated immediately and desired modifications to current policy can be planned during PY 1988 and implemented in PY 1989.